

## Quarterly business report - 1<sup>st</sup> quarter 2010 (unaudited data)

Over the quarter, Foncière PAREF focused its efforts on deriving value from its property assets and developing its management on behalf of third parties business. Gradual recovery in financial markets lead us to consider raising equity in cash: a capital raising of about € 15 million, announced in March, is subject to resolutions to be submitted to the shareholders' Annual General Meeting of 19 May next.

### **1 – Property portfolio and Group debt**

#### **1.1 Property portfolio**

PAREF did not acquire any buildings over the quarter. The Group sold, through its fully-owned subsidiary SCI de la Place, the building of a hotel/restaurant in Lisieux for €0.9 million.

The 2,600 m<sup>2</sup> office and business facility building constructed in Vitry sur Seine on behalf of Coliposte, a subsidiary of La Poste, was delivered as planned at the end of January. A 6-year firm lease was signed with Locaposte against rent of €350 thousand.

**The Group's property portfolio was valued at €202 million**, compared to €203 million at 1 January 2010. This includes the SCPI shares held by the Group (€4.9 million at end March), recognised as financial assets in the IFRS balance sheet and the shares held in the Vivapierre OPCl (€6.3 million), of which PAREF holds 27% of the share capital and which are equity accounted.

#### **1.2 Financial debt**

Consolidated financial debt totalled €132 million at 31 March 2010. The ratio between debt and the value of property assets (LTV ratio), taking account of property assets held as SCPI, OPCl and treasury shares was 65%, compared to 67% (excluding treasury shares) at end December.

The Group's bank borrowings were either contracted at a fixed rate or at a capped variable rate. At 31 March 2010, 96% of outstanding debt was at a fixed rate or hedged by a cap or swap.

The Company repaid the €3 million Investec loan during the quarter. The cash facility entered into with CIC bank was renewed in March for an additional year and was increased from €2 million to €3 million (it remained unused at 31 March).

### **2 – 14.6% revenue growth at 31 March**

The quarterly consolidated IFRS revenue amounted to €7.1 million, an increase of 14.6% compared to that of the 1st quarter 2009. Excluding the non-recurring business of property dealings, revenue was stable.

| <b>Revenue (€thousands)</b>              | <b>Q1 2010</b> | <b>Q1 2009(1)</b> | <b>% change</b> | <b>FY 2009</b> |
|--|----------------|-------------------|-----------------|----------------|
| Rent and costs recovered                 | 5,481          | 5,464             | 0.31%           | 22,741         |
| residential                              | 754            | 761               | (0.92%)         | 3,034          |
| commercial (1)                           | 4,727          | 4,703             | 0.51%           | 19,707         |
| Management fees                          | 729            | 741               | (1.62%)         | 3,028          |
| <b><u>Total recurring activities</u></b> | <b>6,210</b>   | <b>6,205</b>      | <b>0.08%</b>    | <b>25,769</b>  |
| Property dealings                        | 900            | 0                 | ns              | 0              |
| <b><u>Consolidated revenue IFRS</u></b>  | <b>7,110</b>   | <b>6,205</b>      | <b>14.59%</b>   | <b>25,769</b>  |

(1) Restated 2009 data – Recovered costs: receivables from tenants in relation to land tax and insurance were recognised pro rata temporis in 2010, where such costs may be recovered from tenants pursuant to lease terms. 2009 data was restated (note: corresponding 2009 data: €4,484 thousand).

## 2.1 Stable rental income

Rent and costs recovered were stable at € 5.5 million. The impact of the departure of the La Houssaye en Brie and Créteil tenants at 1 January was offset by the Gentilly rent (rented out over the second quarter 2009), rent of the new Vitry building (rented out to La Poste since end January 2010), as well as various rent increases and indexing.

The financial occupancy rate thus increased by 1% from December to 90%, as the Rue Blaise Pascal building in Trappes was rented out. The main vacant properties were the La Houssaye and Créteil, as well as the Fontenay-le-Fleury building which is being sold.

On a comparable group structure basis, rental income grew by 0.5%.

## 2.2 Fees from management on behalf of third parties

Management fees from third parties totalled € 0.7 million. The 1<sup>st</sup> quarter 2009 had benefited from a € 0.2 million overperformance commission received in respect of transactions carried out in the past on behalf of Westbrook. Excluding this exceptional item, management fees markedly increased due to higher funds managed by OPCIs and the gradual recovery of SCPI collections.

Overall, the assets managed by PAREF GESTION totalled € 627 million, an increase of 0.8% compared to 31 December 2009. The capitalisation of SCPIs Pierre 48 (€ 213 million), Novapierre (€ 54 million) and Interpierre (€ 5 million) grew by 1% since 1 January 2010.

The assets managed by PAREF GESTION at 31 March 2010 (including those managed on behalf of the Group) may be analysed as follows:

### **ASSETS MANAGED BY PAREF GROUP**

| Capital under management    | 31 March 2010  |                | 31 Dec. 2009   |                | % change       |               |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|---------------|
|                             | m <sup>2</sup> | € thousands    | m <sup>2</sup> | € thousands    | m <sup>2</sup> | € thousands   |
| <b>Paref Group (1)</b>      | <b>233,017</b> | <b>190,526</b> | <b>235,317</b> | <b>191,426</b> | <b>(1.0%)</b>  | <b>(0.5%)</b> |
| Interpierre                 | 11,550         | 5,341          | 11,617         | 5,167          | (0.6%)         | 3.4%          |
| Novapierre 1                | 22,176         | 53,703         | 22,176         | 52,706         | 0.0%           | 1.9%          |
| Pierre 48                   | 51,820         | 213,621        | 52,238         | 211,504        | (0.8%)         | 1.0%          |
| <b>Total SCPIs (2)</b>      | <b>85,546</b>  | <b>272,664</b> | <b>86,031</b>  | <b>269,377</b> | <b>(0.6%)</b>  | <b>1.2%</b>   |
| Vivapierre                  | 53,833         | 110,515        | 53,833         | 108,850        | 0.0%           | 1.5%          |
| Naos                        | 5,982          | 28,000         | 5,982          | 27,300         | 0.0%           | 2.6%          |
| <b>Total OPCIs (3)</b>      | <b>59,815</b>  | <b>138,515</b> | <b>59,815</b>  | <b>136,150</b> | <b>0.0%</b>    | <b>1.7%</b>   |
| <b>Third parties</b>        | <b>13,524</b>  | <b>25,384</b>  | <b>13,524</b>  | <b>25,459</b>  | 0.0%           | (0.3%)        |
| Usufructs counted twice (4) | (16,661)       |                | (16,661)       |                |                |               |
| <b>Grand total</b>          | <b>375,241</b> | <b>627,089</b> | <b>378,026</b> | <b>622,412</b> | <b>(0.7%)</b>  | <b>0.8%</b>   |

(1) appraised value of assets at 31 December

(2) capitalisation at 31 March based on share issue prices at that date

(3) appraised value at 31 March

(4) floor areas counted both by Pierre 48 (bare owner) and Paref or party under management (usufructuary)

## 2.3 Property dealings

As specified in paragraph 1.1, the Group sold, through its SCI de la Place subsidiary, itself a subsidiary of Parmarch, both fully-owned by the Group, an asset located in Lisieux for a selling price of € 0.9 million. This sale generated a property dealing gain of € 0.2 million in the consolidated financial statements.

## 3 – Share buyback programme

The Group cancelled a total of 59,061 treasury shares at the end of February 2010, which had been acquired to that end. Following this cancellation, the Group thus held 19,850 of its own shares at 31 March 2010, of which 18,250 held to service free share or stock option allocation plans and 1,600 shares in respect of the liquidity contract.

## **4 – Outlook**

The Supervisory Board meeting of 24 March 2010 approved the planned transfer to SCPI Interpierre of 8 buildings, representing 36,440 m<sup>2</sup> and potential rental income of € 3 million. This plan is aimed at accelerating the development of the SCPI by providing it with significant size. The transfer is subject to approval by the SCPI's AGM of 19 May at would take effect from 30 June. The transfer is valued at € 8.3 million, corresponding to the value of the buildings, i.e. € 27.4 million (appraised value at 31 December 2009), less bank borrowings (€ 19.1 million), resulting in a net value of € 8.3 million, to be financed by the issue of 9,610 SCPI shares. Paref would thus hold 84% of the SCPI's share capital, all other things being equal (excluding subscriptions in progress).

Over the coming months, PAREF Group will continue to implement its growth strategy, which is based on the selective and cautious development of its asset portfolio, through transfers and indirect investments through minority shareholdings in OPCIs launched by Paref Gestion, depending on the opportunities that will present themselves. The selective disposals policy will also be continued.

In addition, the Group will continue to develop its management on behalf of third parties business, featuring in particular:

- renewed collection for Pierre 48 (housing) and Novapierre 1 (stores) and the implementation of the planned transfer by Paref of 8 buildings to Interpierre (offices and business facilities), with a view to providing this SCPI with the necessary critical size and thus facilitate its marketing;
- the accelerated development of OPCI management, with the planned creation of new, dedicated or theme-based institutional OPCIs, following the launch of Vivapierre, Polypierre and Naos;

*As part of this expansion, the Company plans to issue shares or securities giving access to the share capital of about € 15 million, to be submitted for approval to the Annual General Meeting of 19 May.*